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TO RUEHC/SECSTATE WASHDC PRIORITY 2531
INFO RUEHAC/AMEMBASSY ASUNCION 6559
RUEHBO/AMEMBASSY BOGOTA 3878
RUEHBR/AMEMBASSY BRASILIA 7764
RUEHBU/AMEMBASSY BUENOS AIRES 5008
RUEHCV/AMEMBASSY CARACAS 2247
RUEHPE/AMEMBASSY LIMA 2343
RUEHMD/AMEMBASSY MADRID 3325
RUEHMN/AMEMBASSY MONTEVIDEO 4419
RUEHQT/AMEMBASSY QUITO 4890
RUEHSG/AMEMBASSY SANTIAGO 9478
RHMFIUU/HQ USSOUTHCOM MIAMI FL
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RUEHUB/USINT HAVANA 0156
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RUCPDOG/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC

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ENERGY FOR CDAY AND SLADISLAW

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SUBJECT: GAS SALES TO BRAZIL: EVO SCORES -- AT LEAST IN THE
MEDIA

REF: LA PAZ 2880

Summary

¶1. (SBU) The press announced on February 16 that Bolivia had reached agreement on the price of natural gas sales to Brazil after several months of negotiations. The press have trumpeted the agreement as a victory for President Morales, even though, in reality, the increase in revenues is modest. Analysts expect that the gas deal will boost Morales' opinion poll ratings this month. End summary.

Gas Deal with Brazil

¶2. (SBU) The press reported on February 16 that President Morales had reached agreement on the price of natural gas exports via two gas pipelines with Brazilian President Lula during his February 14 trip to Brazil. Morales managed to strike a good deal for gas exported through the small pipeline from Bolivia to Cuiaba, Brazil, which carries around 1.2 million cubic meters of gas per day, raising the price from USD 1.09 to USD 4.20 per million BTU. However, the price of gas exported through the large pipeline to Sao Paulo, which carries around 26 million cubic meters per day, was only increased by around 4 percent of the current price of USD 4.20 per million BTU -- much lower than the GOB's hoped-for increase of 25 percent. An increase of 25 percent would have made the price roughly equivalent to the price agreed to by Argentina in the contract signed in October 2006 (reftel). The current price with Brazil was determined by a formula in the gas sales agreement (GSA) between the two nations. The new price will be based on an adjusted formula,

which places a higher value on gas with greater caloric content (due to containing liquids), which will be added as an appendix to the GSA. Press reports also indicate that Brazil agreed to promote the construction of petrochemical and biodiesel plants on the border and transfer agricultural technology.

Evo is Seen as Winner

¶3. (SBU) Despite the GOB's failure to achieve a significant increase in price for the majority of gas exports to Brazil, the press touted the agreement as a win for President Morales and Bolivia. The agreement was viewed by the press and public alike as a political victory, by which Morales increased Bolivian revenues and reinforced his friendship with President Lula. Press reports indicate that Bolivia will receive an additional USD 144 million in annual revenue due to the price increases, but fail to mention that this figure is much lower than the targeted USD 625 million.

Comment

¶4. (SBU) While the economic gains of this deal are meager, the real winner could be Evo Morales' political standing. Press coverage has led the public to think that President Morales' negotiations were more successful than they actually were. Analysts expect that the gas deal will boost Morales' opinion poll ratings this month. End comment.
GOLDBERG